

# Is Bitcoin Legal? 10 min read

By **Megan Frydel** - 5th February 2018

As early as 5000 B.C, human beings have been using metal objects to exchange for goods, which over the millennia and centuries, developed into what we now recognise as fiat currency.

Today, every fiat currency in the world is completely centralised and controlled by each country that uses it.

Its value and the rate of exchange between different currencies is decided for us by banks, governments and various authorities, and **we as users have no power or control** over it, beyond acquiring it, using it, and storing it in our bank account.

Well, that was very much the case until [cryptocurrency](#) came along.

It has all started with Bitcoin, and today there are literally hundreds of different cryptocurrencies on the market, all offering excellent investment opportunities, as well as the chance to circumnavigate the constraints of a centralised monetary system.

[Bitcoin](#) reigns supreme as number one, but it is surrounded by controversy, and one of the most common questions that we hear is "*Is Bitcoin legal?*".

In this article, we will delve into the who, what, where, and when of Bitcoin to hopefully, answer that question for you and provide you with the information you need to decide if this investment, is for you.

## Concerns About Bitcoin And Cryptocurrency Legality

The problem with cryptocurrency and the reason why it faces so much cynicism from governments and authorities is that they do not understand it.

At the moment, Bitcoin is largely unregulated because of a lack of knowledge and correct information being sought by lawmakers and government departments.

There is **a lot of misinformation around cryptocurrency**, and until people understand the technology that drives it and its core concept. Hence, it is difficult to define it in legal and regulatory terms.

You must also consider that many authorities are nervous of such a disruptive technology, and the effect it may have on the existing financial community.

There is also **concern about how people's funds can be protected in exchanges**, in an industry that has little to no regulation. Yes, all of the main exchange platforms have their own policies and procedures, but unless it is a US-based exchange, the chances are there are no actual laws that are governing it.

There have been several instances where exchanges have shut down and disappeared without warning, and this is understandably a concern for both traders and authorities.

The most well-known incident of such was an exchange known as [Mt.Gox](#). It was once one of the most prominent Bitcoin exchanges in the world, but then in the beginning of 2014, it filed for bankruptcy due to cited technological issues as well as the alleged loss of 744,000 Bitcoins.

The fact that **Bitcoin can be used almost anonymously**, is also an issue that plagues governments. Because of this, it means that it can be used for all sorts of nefarious purposes, from money laundering

to purchasing illicit goods, without anyone being able to truly identify who made the purchase.

Many people first heard of Bitcoin in **conjunction with the dark web marketplace** known as Silk Road, which gained widespread notoriety when it was shut down by the FBI. Bitcoin was accepted as payment for a range of products on the platform, ranging from weapons to hits, to drugs.

## Which Organisations Can Legalise Bitcoin?

This question can only be answered by considering each country individually, as each system is different.

In America, the **US Senate and The House of Representatives** hold the power to decide the fate of Bitcoin and so far, they haven't said much.

They have, however, discussed using the **blockchain** in government procurement, and to help eliminate the corruption that goes alongside it – a welcome “yes” vote for cryptocurrencies.

In 2016, The Congressional Blockchain Caucus was formed to educate all members of Congress on the topics of Bitcoin and the Blockchain.

## Is Bitcoin Legal In America?



The US Treasury categorises Bitcoin as a “**convertible, decentralised virtual currency**” back in 2013.

It was then classified by the Commodity Futures Trading Commission as a commodity in September 2015. As such, and as per the IRS, Bitcoin is taxed in the same way as a property is.

In September 2016, a federal judge made a ruling that:

***“BITCOINS ARE FUNDS WITHIN THE PLAIN MEANING OF THAT TERM.”***

It is also worth noting that Bitcoin transactions are subject to the same AML and KYC requirements as normal currencies and recently, [Coinbase](#) was made to hand over the personal details of clients that trade over a certain volume.

Due to concerns surrounding drug trafficking, the financing of terrorism, money laundering, and tax evasion, the US Government is attempting to crack down on it, without unnecessarily constricting the market.

## Is Bitcoin Legal In Europe?

**Yes, at least for the moment.**

While Bitcoin and other cryptocurrencies are legal in Europe (mainly because most countries have not yet taken steps to criminalise it), some countries are coming out in support, whilst others are looking as if they make restrict it.

[Bulgaria](#) was the first member of the EU to officially accept Bitcoin as a currency, instead of treating it as an asset or commodity such as oil or gold.

Following this, the [Estonian Ministry of Finance](#) made a ruling that there is no legal reason why Bitcoin and other cryptocurrencies cannot be used as a payment method. This does, however, come with the caveat that traders must not be anonymous if purchasing over €1000 of currency a month.

Then, the [Finnish Tax Administration](#) declared that Bitcoin transactions should be considered as private contracts for tax purposes, and therefore if converting BTC or similar, into fiat currency, any increase in price becomes taxable whilst any losses are considered tax deductible.

In [France](#) back in 2014, the French Ministry of the Economy and Finance provided regulations to guide users of digital currencies. While there are quite a few restrictions on French crypto-fans, it is considered legal.

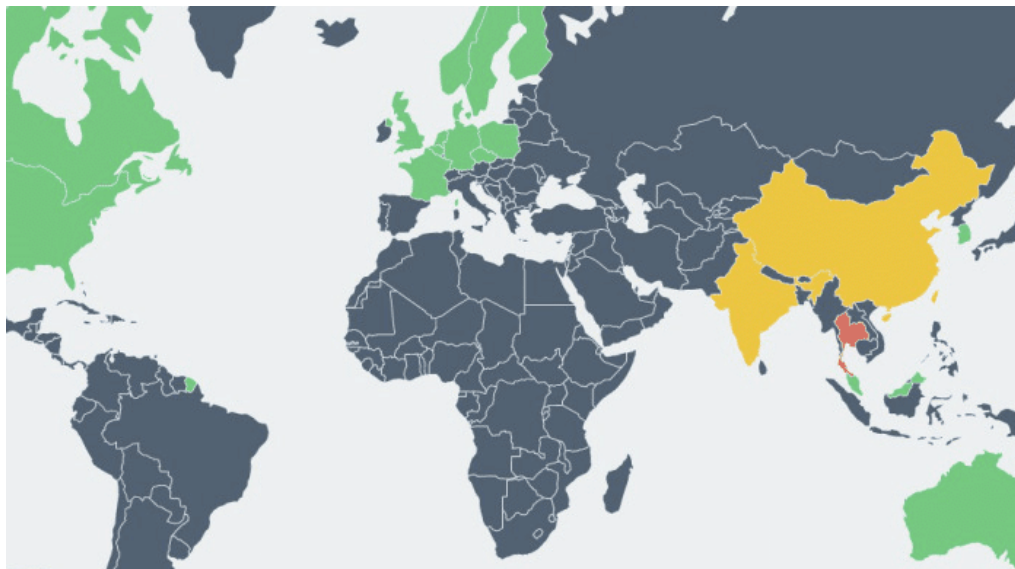
In [Germany](#), Bitcoin is considered as private money and it allows Bitcoin users to use it as they wish, without any interference from the government or authorities, however, it is taxable and companies using it are liable to pay tax on it.

In terms of the most favourable Bitcoin jurisdiction in the world, [Sweden](#) comes out on top. The Swedish Financial Supervisory Authority made a public announcement that it considers cryptocurrencies, including Bitcoin, as a legitimate way of making payments.

It has also made the choice to tax the mining of coins, based on the success rate. Businesses dealing with Bitcoin need to file an application for a license and comply with all relevant legislation such as AML and KYC.

Then there is a whole host of European countries where Bitcoin is legal by default – purely because it has not had any legislation created around it. These countries include Belgium, Cyprus (which is home to many Forex and Crypto exchanges), Denmark, Greece, Lithuania, Ukraine, and the United Kingdom.

## In Which Countries Bitcoin Is Banned?



### Countries That Have Completely Banned Bitcoin, Are as Follows:

- 1. Bolivia** – In June 2014 the Bolivian central bank outlawed any currency or coin that is not centralised and controlled by the government.
- 2. Ecuador** – Shortly after Bolivia banned Bitcoin, Ecuador also made a similar move when its National Assembly banned not only Bitcoin but other cryptocurrencies as well. These currencies remain accessible for the government, but private citizens are not allowed to use them.
- 3. Kyrgyzstan** – Also in 2014, the National Bank of the Kyrgyz Republic made it clear to all citizens that any use of Bitcoin, or any other cryptocurrency for that matter, is totally illegal and that its only valid tender is the Som.
- 4. Bangladesh** – Following hot on the heels of the aforementioned states, Bangladesh was the next to ban cryptocurrency, citing the lack of a centralised payment system as its reasoning.
- 5. Nepal** – The deputy director of Nepal Rastra Bank made it known that Bitcoin is illegal in Nepal, and individuals have even been arrested under suspicion of trading in the currency.

**6. Morocco** – In November 2017, the Moroccan government banned the use of all cryptocurrencies, just days after a company known as MTDS (providers of digital services for the home) announced that it would accept payment in Bitcoin.

## Which Countries Are Planning To Introduce Bitcoin Regulation?

Some of the most recent developments when it comes to regulating Bitcoin, have come from rather unlikely places.

Firstly, the Republic of Malta, located in the Southern Mediterranean, has announced that it plans to create a robust [regulatory framework to support the use of blockchain technology and cryptocurrencies](#).

An EU Member State, and a hub for technology and industries such as iGaming, it plans to create laws that will both support EU AML legislation, but that will also encourage the growth of the sector, as well as providing guidance to businesses that want to develop blockchain technology.

This is a great step forward in a world where many remain dubious of blockchain and Bitcoin, and it is hoped that many other jurisdictions will soon follow suit.

On the other side of the metaphorical coin, [South Korea](#) has made the news this week following its decision to ban all forms of anonymous cryptocurrency trading.

It is immediately suspending any anonymous accounts and any trading accounts where the name of the account does not match a named bank account.

This has caused an uproar in the country, and with foreigners who use South Korea based exchanges, and the government have been accused of stifling not just a burgeoning economy, but an exciting new technology as well.

[Japan](#) has also set up a framework where cryptocurrencies are legal for payment purposes, and Canada, Holland, Germany, and even the USA, are taking steps towards regulation, and support of both Bitcoin and blockchain technology.

## Can Bitcoin Be Banned In The Future?



### Is Bitcoin Legal or Illegal

The simple answer is yes. The more complicated answer is yes, but **it is highly unlikely** that this will happen.

So far, the Bitcoin community has been thrown many curveballs regarding its continuation, and so far they have managed to overcome them all. There is no reason why this will not prevail in the future.

While countries may seek to restrict and regulate the use of Bitcoin, it is only totalitarian countries that are expected to ban it outright, as a way of further exercising control over their citizens.

As education around the subject grows, it is expected that many jurisdictions will begin to understand the potential of the technology and **will embrace it, rather than dismiss it**.

As this is such a new bit of tech, there are bound to be hiccups at the start, but it seems unlikely that a worldwide ban would ever occur, especially considering the possible uses and benefits that cryptocurrencies have for the world as we know it.

The only **real threat to Bitcoin comes from large international banks** who have a vested interest in keeping its popularity diminished so that they can continue to exercise control over the world's economy.

But with more and more people taking up Bitcoin and other cryptocurrencies every day, it seems like people power may come out on top for once.

The question *"Is Bitcoin legal?"* will keep on lingering around until countries introduce clear regulations. In a meantime, you can still invest in Bitcoin – read our [Bitcoin Price Prediction For 2018](#).

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Megan is a self-thought blockchain enthusiast. She enjoys combining finance with technology, from a less-techy perspective. BiteMyCoin is her most recent project underneath the umbrella of an international digital marketing agency ANCHOVY.

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